

Trade Glossary

Can you define these terms?

Trade

Trade is a basic economic concept involving the buying and selling of goods and services, with compensation paid by a buyer to a seller, or the exchange of goods or services between parties.

Definition by  Investopedia

Tariff

A **tariff** is a tax imposed by one country on the goods and services imported from another country.

Definition by  Investopedia

Production costs

Production costs refer to all of the direct and indirect costs businesses face from manufacturing a product or providing a service.

Production costs can include a variety of expenses, such as labor, raw materials, consumable manufacturing supplies, and general overhead.

Specialization

Specialization is a method of production whereby an entity focuses on the production of a limited scope of goods to gain a greater degree of efficiency.

Many countries, for example, specialize in producing the goods and services that are native to their part of the world, and they trade them for other goods and services.

Nontariff barrier

A **nontariff barrier** is a way to restrict trade using trade barriers in a form other than a tariff. Nontariff barriers include quotas, embargoes, sanctions, and levies.

As part of their political or economic strategy, some countries frequently use nontariff barriers to restrict the amount of trade they conduct with other countries.

NAFTA

The North American Free Trade Agreement (NAFTA) was implemented to promote trade between the U.S., Canada, and Mexico. The agreement, which eliminated most tariffs on trade between the three countries, went into effect on Jan. 1, 1994.

Definition by  Investopedia

Protectionism

Protectionism refers to government policies that restrict international trade to help domestic industries.

Protectionist policies are usually implemented with the goal to improve economic activity within a domestic economy but can also be implemented for safety or quality concerns.

Intellectual property

Intellectual property is a broad categorical description for the set of intangible assets owned and legally protected by a company from outside use or implementation without consent. An intangible asset is a non-physical asset that a company owns.

Definition by  Investopedia

Dumping

Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.

Definition by  Investopedia

Factors of production

Factors of production are the inputs needed for creating a good or service, and the factors of production include land, labor, entrepreneurship, and capital.

Definition by  Investopedia

Comparative advantage

Comparative advantage is an economy's ability to produce a particular good or service at a lower opportunity cost than its trading partners.

A comparative advantage gives a company the ability to sell goods and services at a lower price than its competitors and realize stronger sales margins.

Economies of scale

Economies of scale are cost advantages reaped by companies when production becomes efficient.

Companies can achieve economies of scale by increasing production and lowering costs. This happens because costs are spread over a larger number of goods.